

April 17, 2014

Federal Reserve Board
Secretary, Board of Governors
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Comments on Proposed Rule: Reg CC - Collection of Checks; Docket No. R-1409

Dear Robert deV. Frierson,

I am writing on behalf of California Credit Union, California Credit Union is a state chartered institution serving the education community in the Los Angeles metropolitan area since 1936. California Credit Union is approximately one billion dollars in assets and is serving seventy-nine thousand members. The credit union offers consumer loans, real property loans, member business loans, and a vast array of share accounts to serve our members. California Credit Union appreciates the opportunity to provide comments to the Federal Reserve Board on its proposed rule for Regulation CC, Collection of Checks.

California Credit Union agrees with the elimination of the notice requirement that the paying bank must give notice on item(s) over \$2,500. With the elimination of all check processing sights except for Cleveland, all checks are local and should be settled within two business days. The notice requirement was needed on only non-local checks.

The expeditious-return requirement under Alternative 1 is achieved by processing paper or electronic items because all items are local. If the institution sends checks electronically the expeditious requirement is met by process.

Institutions that received an item by Remote Deposit Capture (RDC) have accepted the risk of an item being presented multiple times as well as accepted the risk of the holder of the item to present the paper copy at a different institution. If the paper check is present all institution that may have processed a RDC must accept the loss.

The problem with having RDC Items have the same warranties as paper items is that paper items are submitted into the clearing system by a bank that does make warranties about the item. The RDC item is entered into the check clearing system by a consumer or business that is not a member of the check clearing system and by definition can not make warranties to other check clearing banks.

The financial institution that provides the RDC service to the consumer or business needs to have risk mitigation processes in place. The risk mitigation processes must include limiting which consumer or business has access to the service.

Reg. CC's current settlement rules for paper checks should remain unchanged.

Under the proposal, electronic checks and electronic returned checks that financial institutions exchange by agreement would also be subject to the check collection and return provisions under Reg CC, unless otherwise agreed by the sending and receiving institutions. California Credit Union agrees with the proposed change.

When the consumer or a business uses RDC to enter a check into the processing network the consumer is making representations. These representations include that they will not re-deposit the

item and after the item shows up on their monthly statement they are to destroy the original check. If a bank in the pay/collection process creates a substitute check, the reconverting bank is making warranties that the other banks in the network should be able to rely. If a bank converts an RDC item the bank should not get additional protections at the consumer's expense.

California Credit Union is committed to working with the Federal Reserve Board to promulgate clear, understandable regulation that impose minimal regulatory burden. We appreciate the opportunity to participate in the rule making process. California Credit Union is willing to assist in this initiative in any way we can.

In summary, we at California Credit Union thank you for the opportunity to comment on this notice and for considering our views to Reg CC and the collection of checks.

Sincerely,

James Krob
Director of Reg Compliance
California CU

cc: CCUL